

Remarks for Assembly Committee on Jobs, the Economy and Small Business

Regarding AB 358 – Thermal Biomass Installation Tax Incentives

By Representative Jeff Mursau

March 8, 2012

Thank you Chair Williams and Committee members for hearing this bill today.

Over the past decade, the State of Wisconsin has made a dedicated effort to stabilize the forest products industry and energy efficiency in Wisconsin through multiple strategies and efforts.

AB 358 is designed to help expand our advantage in two extremely important economic sectors, agriculture and forestry, while making significant advances in the deployment of energy efficient heating and cooling systems. Secondly, this bill can help reduce our dependence on fossil and foreign fuels in Wisconsin.

Finally, AB 358 will create small business economic activity throughout the State.

- Loggers will harvest more timber
- Farmers will grow more biomass
- Wholesalers will sell more systems
- Construction workers will install more systems
- Small businesses will serve loggers and farmers
- Businesses, manufacturers and residents will all achieve more stable energy costs

Wisconsin has already created a sales tax exemption for biomass fuel. This perpetual exemption, however, won't get people to buy it if they don't have the equipment to use the fuel. If people can better afford the equipment, they will buy the fuel, and they will continue to buy the fuel because of its low cost and high local supply.

AB 358 creates a *sun-setting* income tax credit for people and small businesses (no more than \$5 million in gross receipts) that purchase 75% efficient (minimum) thermal biomass stoves, furnaces or boilers. The law should only assist in deployment, not perpetually subsidize it.

This bill will benefit Wisconsin's largest economic drivers: manufacturing, agriculture and forest products. The value added to our abundant and renewable timber resource creates a Wisconsin job with every 25 cords of wood harvested.

The *total* tax incentive is structured to encourage early investment in this equipment with time for dealers to learn about it, incorporate it into their marketing plans, and peak to incentivize early consumer purchases.

Last session this bill was written costing \$80 million and applied to all individuals and businesses. Recognizing our current budget condition, I narrowed this session's bill to affect the people who need our focus of our attention the most: individuals and small businesses.

AB 358, as drafted, limits the cost to \$45 million *over six years*. There is little available data,

however to accurately estimate new revenue to the general fund through sales and income taxes. Businesses and individuals will receive income to install these systems and consumers will realize energy costs savings to invest elsewhere in budgets and our local business community.

DOR may prorate the credits and allocate unused credits in subsequent years. Individuals and businesses may also carry their earned credits forward if they can't claim them in the year of the purchase. Finally, it is a non-refundable credit and will not result in a claimant receiving an income tax refund if the credit exceeds their total income tax liability.

Wisconsin must focus and take advantage of its economic strengths to enhance our long term economic position. This bill uses our agriculture resources, forest resources and our manufacturing capacity to help guide us to economic recovery, energy independence and efficiency and help Wisconsin create new jobs, small businesses and a stronger economy. Thank you again for your time today to discuss this bill.

Residential & Small Business Free Standing Stove

	% credit	Max Purchase applicable	Max Credit Possible	Maximum Credits for Year
Year 1	40%	\$3,000	\$1,200	\$2,500,000
Year 2	40%	\$3,000	\$1,200	\$3,500,000
Year 3	30%	\$3,500	\$1,050	\$3,000,000
Year 4	30%	\$3,500	\$1,050	\$3,000,000
Year 5	25%	\$4,000	\$1,000	\$2,500,000
Year 6	25%	\$4,000	\$1,000	\$2,500,000

Residential/Small Business Biomass Boiler/Furnace under 200,000 BTU

	% credit	Max Purchase applicable	Max Credit Possible	Maximum Credits for Year
Year 1	40%	\$12,000	\$4,800	\$2,500,000
Year 2	40%	\$12,000	\$4,800	\$3,500,000
Year 3	30%	\$13,000	\$3,900	\$3,000,000
Year 4	30%	\$13,000	\$3,900	\$3,000,000
Year 5	25%	\$14,000	\$3,500	\$2,500,000
Year 6	25%	\$14,000	\$3,500	\$2,500,000

Residential/ Small Business Biomass Boiler/Furnace Over 200,000 BTU

	% credit	Max Purchase applicable	Max Credit Possible	Maximum Credits for Year
Year 1	40%	\$30,000	\$12,000	\$1,500,000
Year 2	40%	\$30,000	\$12,000	\$2,500,000
Year 3	30%	\$35,000	\$10,500	\$2,000,000
Year 4	30%	\$35,000	\$10,500	\$2,000,000
Year 5	25%	\$40,000	\$10,000	\$1,500,000
Year 6	25%	\$40,000	\$10,000	\$1,500,000

Total Impact Cost

Year 1	\$6,500,000
Year 2	\$9,500,000
Year 3	\$8,000,000
Year 4	\$8,000,000
Year 5	\$6,500,000
Year 6	\$6,500,000
TOTAL	\$45,000,000